

STATE OF NEW JERSEY

**ALTERNATE BENEFIT PROGRAM
MEMBER HANDBOOK**



DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS

APRIL 2004



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Governor

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To members of the Alternate Benefit Program:

It has often been said that retirement planning should begin on the day that you commence employment. This statement seems particularly appropriate for your enrollment in the New Jersey Alternate Benefit Program (ABP), because it is a retirement plan in which you play an active role in establishing financial goals, evaluating investment options, and monitoring your retirement portfolio. Whether you are a new participant or have been enrolled in the ABP for many years, you have a continuing opportunity to manage your financial affairs in the manner you deem best suited for your needs, time horizons, and risk tolerance.

The Alternate Benefit Program is a defined contribution plan that offers substantial opportunities for long-term tax-deferred investment. Six investment carriers are authorized to provide investment options and services in the ABP. This booklet provides an overview of the plan and a brief introduction to the investment carriers. You may direct your ABP contributions to any or all of the carriers, and you may also transfer existing account accumulations from one carrier to another. Other ABP features include loans and, at retirement or separation from service, cash distributions and annuity options. The specific plan provisions, requirements, and restrictions are detailed in other ABP publications and investment prospectuses. You should, of course, carefully review this material prior to making any investment decision.

The array of investment options offered in the ABP provides substantial flexibility for fashioning retirement investment strategies that can accommodate many different personal circumstances and goals. The Division of Pensions and Benefits trusts that your participation in this plan will provide you with substantial long-term financial security and stability.

State of New Jersey
Division of Pensions and Benefits

ALTERNATE BENEFIT PROGRAM

The Alternate Benefit Program (ABP) is a defined contribution retirement program for eligible employees of the public institutions of higher education in New Jersey. In addition to retirement benefits, the ABP provides members with life insurance and disability coverage. The program allows members to direct their own retirement accounts while offering portability of accumulated contribution balances. Vested members are permitted to allocate and transfer employer and employee contributions to any one or a combination of authorized investment carriers. The variety of investment choices and distribution methods offered by the authorized carriers provide members flexibility in meeting their retirement goals.

SUMMARY OF BENEFITS

- Member contributions made on a tax-deferred basis
- Tax-deferred employer contributions
- Employer-provided group life insurance for eligible active and retired members
- Disability benefits if permanently disabled
- Loans through the member's investment carrier(s)
- A variety of retirement plan options, including lump sum distribution
- State-paid health insurance coverage in the State Health Benefits Program if the member retires and has 25 years of pension service in a New Jersey State-administered retirement system.

MANDATORY CONTRIBUTIONS

The member and employer make regular tax-deferred contributions toward retirement savings. Members contribute 5% of base salary and employers contribute 8% of base salary.

VOLUNTARY ADDITIONAL CONTRIBUTIONS

Under the voluntary 403(b) component of the program, members may make additional contributions on a tax-deferred basis. Members are required to complete a *Salary Reduction Agreement* to participate. Federal income tax will be deferred on the ABP contributions.

VESTING

A member is vested in the ABP when beginning the second year of employment at the member's institution of higher education or if the member has an existing qualified retirement account from a previous employer the member is immediately vested. Once vested, all of the contributions and accumulations in the member's account belong to the member, and will provide benefits to the member when he or she is eligible to receive them. If a member leaves the institution of higher education prior to becoming vested, he or she will receive a refund of the "employee" contributions, including any investment gain or loss. The "employer" contributions will be returned to the employer.

LIFE INSURANCE (ACTIVE MEMBERS)

Employer-paid group life insurance is provided for all eligible members. No medical examination is required unless the member has attained the age of 60 prior to enrollment. Coverage equals three and one half times the member's base salary. (Note that, effective May 8, 2003, life insurance coverage for active members no longer decreases when the member attains age 70.)

LIFE INSURANCE (RETIREES)

Retired ABP members are eligible for paid group life insurance coverage of one-half of base salary if all of the following criteria are met:

- 10 years or more of pension service credit;
- At least age 60 at retirement;
- Benefits are received within 12 months of the termination of employment; and
- Covered by ABP group life insurance immediately prior to retirement.

LIFE INSURANCE CONVERSION

When group life insurance coverage reduces or ends (at retirement, termination of employment, or approved leave of absence), ABP members have 31 days in which they can convert all or a portion of group life insurance to an individual policy with the Prudential Insurance Company. Contact Prudential at 1-800-262-1112 and indicate group life insurance policy number G14800.

LONG-TERM DISABILITY

Members are eligible for employer-paid long-term disability after one year of participation in the ABP. Benefits begin after six months of continuous disability. The plan pays 60% of the monthly base salary (reduced by other pension benefits such as short-term disability income and Social Security), if totally and permanently disabled. The minimum benefit is \$50 per month. In addition, the basic 5% contribution that the member would have been required to make while actively working, is made by the carrier (the Prudential Insurance Company). The employer continues to contribute 8% of base salary. Contact the Prudential Insurance Company at 1-800-842-1718 for more information or to obtain an application. The application is also available at the ABP page of the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions.

LOANS

Vested members of the ABP are eligible to receive loans based on their account balances. Members should contact their investment carrier(s) for applications and repayment procedures.

RETIREMENT AND CASH DISTRIBUTIONS

A member of the ABP becomes eligible to commence distributions at any age upon termination of employment or retirement. Members may receive benefits in the form of an annuity or cash distribution. Annuity benefits will be calculated by the investment carrier(s) based upon the account accumulation, life expectancy, and the distribution option selected. Cash distributions to members under the age of 55 are limited to their employee contributions and accumulations. The remaining employer contributions and earnings are available for distribution upon attaining age 55. Once a vested member starts collecting benefits from their ABP account (annuity or cash), the member is considered retired and is not eligible to enroll in any New Jersey State-administered retirement system, nor are they eligible to reenroll in the Alternate Benefit Program.

EMPLOYMENT AFTER RETIREMENT

Retired ABP members can return to public employment (including employment covered by the ABP) and continue to receive benefits. However, retired members cannot contribute to their ABP account nor receive employer contributions based on their employment after retirement, and they will not accrue service credit toward employer-paid health coverage. Additionally, retired members are not eligible for group life insurance or disability insurance. Certain restrictions may apply to the benefits and features described. For more information, contact your Campus Human Resources Office or the Division of Pensions and Benefits.

ABP INVESTMENT CARRIERS

For additional information about the investment options available to ABP members, contact the Investment Carriers listed below.

AIG VALIC

450 Headquarters Plaza
Morristown, NJ 07960
(973) 285-8200 or 1-800-448-2542
www.americangeneral.com/njabp

AXA Financial (Equitable)

333 Thornall Street, 8th Floor
Edison, NJ 08837
866-786-0856
www.equitable.com/nj

The Hartford

303 Lippincott Center, Suite 122
Marlton, NJ 08053
1-800-243-7782, ext. 207
retire.hartfordlife.com

ING Life Insurance and Annuity Co.

581 Main Street, 4th Floor
Woodbridge, NJ 07095
877-873-0321
www.ingretirementplans.com

**Teachers Insurance and Annuity Association/
College Retirement Equities Fund (TIAA/CREF)**

155 Village Blvd, Suite A
Princeton, NJ 08540
1-800-842-8412
www.tiaa-cref.org

Travelers (CitiStreet)

581 Main Street, Sixth Floor
Woodbridge, NJ 07095
1-800-545-0108 or (732) 602-0500
www.travelersla.com

QUESTIONS AND ANSWERS REGARDING THE ABP

1. Q. What decisions do I have to make regarding my ABP participation?

A. You must decide which investment carrier(s) will receive and invest your ABP contributions. If you select more than one carrier, you must allocate your contributions among them and determine the investment products to which you wish to have your contributions directed.

2. Q. How do I make the investment decisions described above?

A. The ABP provides a choice of investment carriers and types of investments. As you consider these options, please keep in mind some general investment guidelines:

- Read carefully all promotional literature and investment prospectuses.
- Consider such factors as the experience and background of the investment carrier, the nature of the product or fund selection that it offers, charges or fees applicable to an account or an investment, the investment performance record, provisions or restrictions governing transfers (both within the carrier's funds and between carriers), the availability and cost of loans, and the type of customer services and retirement planning assistance that is available.
- Consider your time horizon, level of risk tolerance, financial objectives, other financial assets and anticipated financial needs, and the diversity of your investments.
- Review your investments from time to time in light of any changes in your personal situation or investment strategy.

3. Q. Is there any limit to the additional voluntary tax-deferred contributions I may make to my ABP account?

A. Yes. Federal law limits the amount of additional tax-deferred contributions that you may make. The limit is based on the amount of your salary and any previous contributions. Each year, you must calculate the maximum allowable contributions. Your ABP carrier can help you with this calculation. Please contact your personnel/benefits administrator for information regarding the completion of a *Salary Reduction Agreement* needed to make any voluntary contributions to your ABP account.

4. Q. Can I take a loan from my ABP account?

A. Yes, if you are vested. You must apply directly to your investment carrier(s) for a loan. The terms and conditions for a loan may vary among the investment carriers.

5. Q. When do I vest in the ABP?

A. You are vested in the ABP when you begin your second year of employment at your institution of higher education. If you have an existing qualified retirement account from your previous employer you are immediately vested. From that point on, all of the contributions and accumulations in your account belong to you and will provide benefits to you at the time that you are eligible to receive them. If you leave your institution prior to becoming vested, you will receive a refund of your "employee" contributions, including any investment gain or loss. The "employer" contributions will be returned to your employer.

6. Q. When can I receive benefits from the ABP?

A. You will be eligible to receive distributions from your ABP account at any time after you retire or otherwise terminate your employment, regardless of age. It is important to understand that once you choose to receive a distribution after leaving employment you are considered to be in retired status and will no longer be eligible to enroll in the ABP even if you subsequently return to a teaching or administrative position at a New Jersey public institution of higher education covered by the ABP.

After you leave employment you may decide to delay receiving benefits until some future time, thereby providing the opportunity for your account to accumulate a greater value, and to preserve your right to resume ABP participation upon subsequent employment. If you delay the receipt of benefits after you retire or otherwise terminate employment, you must begin to receive benefits no later than April 1st of the year following the year in which you attain the age of 70.

Please note that:

- If you are eligible for group life insurance and you delay receiving benefits beyond 12 months of your termination of employment, you may forfeit your right to coverage.
- If you are not covered by the State Health Benefits Program immediately prior to termination of employment, you may not be eligible for retired State Health Benefits Program coverage.

7. Q. How will my benefits be paid?

A. You may receive your benefits in the form of a cash distribution and/or an annuity from the carrier(s) based upon the value of your account, your life expectancy, and the distribution option that you select. You may elect to receive some or all of your account in the form of a cash distribution.

- If you are under the age of 55, you may receive a cash distribution of only your employee contributions and accumulations.
- If you are age 55 or over you may receive a cash distribution from your total account value (i.e. both employee and employer's contributions and accumulations).

8. Q. Will employment after retirement affect my benefits?

A. Employment after retirement will not affect the receipt of your ABP benefits. However, once you receive retirement benefits you may not reenroll in the ABP if you are subsequently employed at a New Jersey public institution of higher education. Nor will you be eligible to enroll in any other New Jersey State-administered retirement system if you are subsequently employed in a New Jersey public sector position. Furthermore, as a retired ABP member, you will not be eligible for group life insurance or disability insurance in such employment, nor can you accrue service credit toward employer-paid health coverage. You will, however, continue to be eligible for any insurance benefits that accrue to you as a retired ABP member.

